

Internal Revenue Service  
District Director

Department of the Treasury

[REDACTED]

Date: JUN 26 1961

[REDACTED]

Person to Contact:

[REDACTED]

Contact Telephone Number:

[REDACTED]

Refer Reply to:

CERTIFIED MAIL

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(4) of the Internal Revenue Code.

The evidence presented disclosed that the applicant was incorporated on [REDACTED] under the not-for-profit corporation law in the State of [REDACTED].

The purposes for which the corporation was formed are "To preserve and strengthen democratic ideals, and insure sound fiscal responsibility by the governing bodies of the Town of [REDACTED] and other local, County, State and Federal Government agencies as such activities may affect the taxpayers of [REDACTED]."

The organization's activities consist of influencing voters on the election of various candidates for local and state public office in [REDACTED] by issuing informational literature and position papers, along with open association meetings. The organization will also influence voting on various tax and spending legislation, which relates to the real property tax base in the local town of [REDACTED] and the State of [REDACTED], by issuing informational literature and position papers, along with open association meetings. The activities are on an on-going basis, especially prior to local or state elections or referendums.

According to the financial information submitted with your Application 1024, the organization primarily derived its income from membership dues. Of the organization's total expense of \$[REDACTED], \$[REDACTED] was spent for brochures, mailings, position papers on various tax and spending items.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that an organization is operated exclusively for the promotion of social welfare if it primarily engages in promoting in some way the common good and general welfare of the people of the community.

The concept of social welfare implies a service or program directed at benefitting the community rather than a private group of individuals.

Revenue Ruling 67-368, 1967-2 C.B. 194 describes an organization whose primary activity is rating candidates for public office. In order to acquaint voters with candidates for local public offices, the organization analyzes the candidate's qualifications, such as education and experience. The organization rates the candidates and disseminates information to the general public. Comparative rating of candidates, even on a nonpartisan basis, is participation or intervention on behalf of those candidates favorably rated in opposition to those less favorably rated. Based upon the above, organization was found not exempt from Federal Income Tax under Section 501(c)(4) of the Code.

Revenue Ruling 60-193, 1960-1 C.B. 195 describes an organization created to encourage greater participation in governmental affairs. It develops educational materials designed to create greater interest in those affairs and works toward achieving better government through better politics. The organization was found exempt from Federal Income Tax under section 501(c)(4) of the Code.

The applicant's activities are similar to those of the organization described in Revenue Ruling 67-368. It distributes detailed information on how the school and town budget should be cut, and encourages its members to vote for those candidates that will institute the organization's agenda. The organization encourages members to "Vote" out of office any candidate who has refused to reduce either the school budget or the Town Budget and not to elect any candidate who is unwilling to support fiscal restraint in spending." Such activity does not come within the definition of the promotion of social welfare and this should be the main activity of the organization. Hence, it follows that [REDACTED] is not operated exclusively for the promotion of social welfare within the meaning of Reg. 1.501(c)(4)-1(a)(2)(i).

The applicant's activities differ from Revenue Ruling 60-193 because the activities of [REDACTED] are not aimed at promoting greater participation in governmental and political affairs. Rather the applicant's activities are directed toward disseminating information on its proposed economic policies. The applicant also specifically and explicitly endorses candidates that will institute the applicant's policies. The organization is not operated exclusively for the promotion of social welfare as stated in section 501(c)(4) of the Code. Accordingly, the organization's application for exemption under 501(c)(4) of the Code is being denied.

Accordingly, we conclude that you do not meet the requirements for exempt status under section 501(c)(4) of the Code and propose to deny your request for exemption under that section.

We have also determined that you fail to qualify for exempt status under any other subsection of IRC 501(c).

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completion.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

[REDACTED]  
District Director

Enclosure: Publication 892